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SERVICE DATE – JANUARY 19, 2005

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FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 34635]

Watco Companies, Inc.–Continuance in Control Exemption–Mission Mountain Railroad, Inc.

Watco Companies, Inc. (Watco) has filed a verified notice of exemption to continue in control of Mission Mountain Railroad, Inc. (MMT), upon MMT's becoming a Class III rail carrier.

The transaction was expected to be consummated on or shortly after December 28, 2004.

This transaction is related to a concurrently filed verified notice of exemption in STB Finance Docket No. 34634, Mission Mountain Railroad, Inc.–Acquisition Exemption–The Burlington Northern and Santa Fe Railway Company, wherein MMT seeks to acquire by purchase and lease from The Burlington Northern and Santa Fe Railway Company (BNSF) rail lines in the State of Montana. The line being purchased is between milepost 1249.35, near Stryker, and milepost 1272.22, near Eureka, in Lincoln County, MT, a distance of approximately 22.87 miles. The rail line being leased is between milepost 1211.86, near

Columbia Falls, and milepost 1227.58, near Kalispell, in Flathead County, MT, a distance of approximately 15.72 miles.¹ MMT will operate both lines.

Watco, a Kansas corporation, is a noncarrier that currently controls nine Class III rail carriers: South Kansas and Oklahoma Railroad Company (SKO), Palouse River & Coulee City Railroad, Inc. (PRCC), Timber Rock Railroad, Inc. (TIBR), Stillwater Central Railroad (SLWC), Eastern Idaho Railroad, Inc. (EIRR), Kansas & Oklahoma Railroad, Inc. (K&O), Pennsylvania Southwestern Railroad, Inc. (PSWR), Great Northwest Railroad, Inc. (GNR), and Kaw River Railroad, Inc. (KRR).

Applicant states that: (1) the rail lines operated by SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, and KRR do not connect with the rail lines being purchased or leased by MMT; (2) the continuance in control is not part of a series of anticipated transactions that would connect the rail lines being acquired by MMT with any railroad in the Watco corporate family; and (3) neither MMT nor any of the carriers controlled by Watco are Class I rail carriers. Therefore, the transaction is exempt from the prior approval requirements of 49 U.S.C. 11323. See 49 CFR 1180.2(d)(2). The purpose of the transaction is to reduce overhead expenses, coordinate billing, maintenance, mechanical and personnel policies and practices of its rail carrier subsidiaries and thereby improve the overall efficiency of rail service provided by the ten railroads.

¹ BNSF is retaining the right to use the wye tracks at Columbia Falls.

Under 49 U.S.C. 10502(g), the Board may not use its exemption authority to relieve a rail carrier of its statutory obligation to protect the interests of its employees. Section 11326(c), however, does not provide for labor protection for transactions under sections 11324 and 11325 that involve only Class III rail carriers. Accordingly, the Board may not impose labor protective conditions here, because all of the carriers involved are Class III carriers.

If the verified notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 34635, must be filed with the Surface Transportation Board, 1925 K Street, N.W., Washington, DC 20423-0001. In addition, a copy of each pleading must be served on Karl Morell, Of Counsel, Ball Janik LLP, 1455 F Street, N.W., Suite 225, Washington, DC 20005.

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Decided: January 12, 2005.

By the Board, David M. Konschnik, Director, Office of Proceedings.

Vernon A. Williams

Secretary